

BANK INDONESIA REGULATION  
NUMBER: 7/ 37 /PBI/2005  
CONCERNING  
SECOND AMENDMENT TO  
BANK INDONESIA REGULATION NUMBER 5/13/2003  
CONCERNING THE NET OPEN POSITION FOR COMMERCIAL BANKS

THE GOVERNOR OF BANK INDONESIA,

- Considering:
- a. whereas to support the growth of the national economy, it is necessary to build and maintain exchange rate stability;
  - b. whereas one of the necessary measures for building and maintaining exchange rate stability is to prescribe regulations concerning management of risks associated with foreign currency transactions conducted by the banking system;
  - c. whereas one of the factors that needs to be taken into account in management of risks associated with bank foreign exchange transactions is the size of the net open position allowed to be retained by banks, whether observed by method of calculation or timing of calculation of the net open position;
  - d. now therefore it is deemed necessary to amend Bank Indonesia Regulation Number 5/13/2003 concerning the Net Open Position for Commercial Banks as amended by Bank Indonesia Regulation Number 6/20/PBI/2004;

- In view of:
1. Act Number 7 of 1992 concerning Banking (State Gazette of the Republic of Indonesia Number 31 of 1992, Supplement to the State Gazette of the Republic of Indonesia Number 3472) as amended by Act Number 10 of 1998 (State Gazette of the Republic of Indonesia Number 182 of 1998, Supplement to the State Gazette of the Republic of Indonesia Number 3790);
  2. Act Number 23 of 1999 concerning Bank Indonesia (State Gazette of the Republic of Indonesia Number 66 of 1999, Supplement to the State Gazette of the Republic of Indonesia Number 3843) as amended by Act Number 3 of 2004 (State Gazette of the Republic of Indonesia Number 7 of 2004, Supplement to the State Gazette of the Republic of Indonesia Number 4357);
  3. Bank Indonesia Regulation Number 5/13/PBI/2003 concerning the Net Open Position for Commercial Banks (State Gazette of the Republic of Indonesia Number 84 of 2003, Supplement to the State Gazette Number 4307) as amended by Bank Indonesia Regulation Number 6/20/PBI/2004 (State Gazette of the Republic of Indonesia Number 61 of 2004, Supplement to the State Gazette Number 4395);

HAS DECREED:

To enact: THE BANK INDONESIA REGULATION CONCERNING  
SECOND AMENDMENT TO BANK INDONESIA

REGULATION ...

REGULATION NUMBER 5/13/2003 CONCERNING THE  
NET OPEN POSITION FOR COMMERCIAL BANKS.

Article I

A number of provisions in Bank Indonesia Regulation Number 5/13/PBI/2003 concerning the Net Open Position for Commercial Banks (State Gazette of the Republic of Indonesia Number 84 of 2003, Supplement to the State Gazette of the Republic of Indonesia Number 4307) as amended by Bank Indonesia Regulation Number 6/20/PBI/2004 (State Gazette of the Republic of Indonesia Number 61 of 2004, Supplement to the State Gazette of the Republic of Indonesia Number 4395) are hereby amended as follows:

1. The provisions of Article 1 number (3) are amended and number (4) deleted so that Article 1 reads as follows:

Article 1

1. "Bank" is a Commercial Bank as defined in Act Number 7 of 1992 concerning Banking as amended by Act Number 10 of 1998, licensed by Bank Indonesia to conduct banking business in foreign currencies, including a branch office of a foreign bank.
2. "Capital" is tier 1 capital and tier 2 capital as defined in the applicable Bank Indonesia regulatory provisions concerning the Minimum Capital Adequacy Requirement for Commercial Banks at the end-month position prior to the reporting month.
3. "Closing Rate" is the closing rate each day at 16.00 hours local time in Jakarta, as can be seen in the information from Commercial Bank Daily Reports managed by Bank Indonesia.
4. Deleted.

2. Between Article 1 and Article 2 is inserted 1 (one) new article as Article 1A, which reads as follows:

Article 1A

Banks are required to manage and maintain the Net Open Position throughout the day on the basis of prudential principles.

3. The provisions of Article 2 are amended to read as follows:

Article 2

- (1) Banks are required to manage and maintain the Net Open Position at the end of the working day according to the following provisions:
  - a. overall, at no more than 20% (twenty percent) of Capital; and
  - b. for on balance sheet positions, at no more than 20% (twenty percent) of Capital.
- (2) The overall Net Open Position as referred to in paragraph (1) letter a is the sum of the absolute values of:
  - a. the net difference between assets and liabilities recorded on balance sheet for all foreign currencies; plus
  - b. the net difference between claims and liabilities, comprising both commitments and contingencies, recorded in off balance sheet accounts for all foreign currencies,all expressed in rupiahs.
- (3) The Net Open Position for on balance sheet positions as referred to in paragraph (1) letter b is the net difference between total assets and total liabilities in foreign currencies recorded on the balance sheet, all expressed in rupiahs.
- (4) Assets in foreign currencies as referred to in paragraph (2) letter a and paragraph (3) consist of cash, gold, demand deposits (including demand deposit at Bank Indonesia), deposits on call, time deposits, certificates

of deposit, ...

of deposit, margin deposits, securities, loans, net value of negotiated export drafts, interoffice asset accounts, and other claims in foreign currencies on both residents and non-residents.

- (5) Liabilities in foreign currencies as referred to in paragraph (2) letter a and paragraph (3) consist of demand deposits, deposits on call, time deposits, certificates of deposit, margin deposits, borrowings, import guarantees, interoffice liabilities, other comprehensive income from foreign currency securities other than shares, and other liabilities in foreign currencies to both residents and non-residents.
- (6) Off balance sheet items as referred to in paragraph (2) letter b are items in foreign currency that may give rise to claims and/or liabilities to both residents and non-residents at a future date, whether commitments and contingencies that encompass spot, bank guarantees and L/Cs confirmed as liability of the Bank after subtraction for margin deposits, and derivative transactions, including but not limited to forward transactions, options, and futures, and similar products.

4. The provisions of Article 3 are amended to read as follows:

Article 3

- (1) In addition to managing and maintaining the Net Open Position at the end of the working day as referred to in Article 2, Banks are required to manage and maintain the Net Open Position at no more than 20% (twenty percent) of Capital in real time.
- (2) Calculation of the Net Open Position in real time shall apply the Closing Rate on the previous working day.
- (3) The Net Open Position in real time as referred to in paragraph (1) is the sum of the overall Net Open Position at the end of the previous working

day ...

day and the treasury open position in real time during the current working day.

- (4) The treasury open position in real time during the current working day as referred to in paragraph (3) is the net difference between buying and selling transactions in foreign currency pertaining to the treasury activities of the Bank in real time during the current day.

5. The provisions of Article 3A are amended to read as follows:

Article 3A

Maintenance of the Net Open Position as referred to in Article 2 shall be calculated on a consolidated basis as follows:

- a. for a Bank incorporated in Indonesia, encompassing all domestic and overseas branch offices.
- b. for a branch office of a foreign bank, encompassing all offices of that bank in Indonesia.

6. The provisions of Article 7 paragraph (2) and paragraph (3) are amended so that Article 7 reads as follows:

Article 7

- (1) Banks are required to submit accurate reports on the Net Open Position at end of working day on a regular basis to Bank Indonesia.
- (2) The procedure for preparation and submission of reports as referred to in paragraph (1) shall refer to the applicable Bank Indonesia regulatory provisions concerning the Commercial Bank Daily Report.
- (3) Banks are required to bring the Preparation of Commercial Bank Daily Reports for the Net Open Position Report into conformity with this Bank Indonesia Regulation.

7. The provisions of Article 7A paragraph (1) are amended so that Article 7A reads as follows:

Article 7A

- (1) Banks are required to administer information to support the monitoring of the Net Open Position in real time.
- (2) Bank Indonesia may request the information referred to in paragraph (1) if necessary.

8. The provisions of Article 8 paragraph (2) are deleted and paragraph (3) amended so that Article 8 reads as follows:

Article 8

- (1) Banks are required to prepare reports for the Net Open Position at end of working day using the Closing Rate.
- (2) Deleted.
- (3) If the Closing Rate as referred to in paragraph (1) for a particular foreign currency is not available, the Bank may use the crossing rate formed at the same time as the Closing Rate.

9. The provisions of Article 10 are amended to read as follows:

Article 10

- (1) Any violation of the provisions referred to in Article 1A, Article 2 paragraph (1), Article 3 paragraph (1), Article 6 paragraph (4), Article 7A paragraph (1), and Article 9A shall be liable to administrative sanctions as referred to in Article 52 of Act Number 7 of 1992 concerning Banking as amended by Act Number 10 of 1998, including but not limited to:
  - a. written warning;
  - b. downgrading of rating for the Bank;

c. freezing ...

- c. freezing of specified business operations;
  - d. listing of members of the management, Bank employees, and shareholders in the list of persons prohibited from becoming owners and managers of Banks;
  - e. dismissal of the Bank Management and thereafter appointment of caretaker management until a General Meeting of Shareholders or a Meeting of Cooperative Members appoints permanent replacements with approval from Bank Indonesia.
- (2) Any Bank failing to comply with the provisions referred to in Article 2 paragraph (1) and Article 3 paragraph (1), in addition to being liable to sanctions as referred to in paragraph (1), shall also be liable to a financial penalty of Rp 250,000,000.00 (two hundred and fifty million rupiahs) for each day of violation.

## Article II

This Bank Indonesia Regulation shall come into force on October 3, 2005.

Enacted in Jakarta

Dated September 30, 2005

THE GOVERNOR OF BANK INDONESIA

BURHANUDDIN ABDULLAH



ELUCIDATION  
TO  
BANK INDONESIA REGULATION  
NUMBER: 7/ 37 /PBI/2005  
CONCERNING  
SECOND AMENDMENT TO  
BANK INDONESIA REGULATION NUMBER 5/13/PBI/2003  
CONCERNING THE NET OPEN POSITION FOR COMMERCIAL BANKS

GENERAL REVIEW

To support growth in the national economy, it is necessary to build and maintain exchange rate stability. This can be achieved, among others, by prescribing regulations concerning the size of the net open position in the banking system.

Accordingly, this regulation amends a number of the existing provisions, namely in regard to the method for calculation of the net open position and timing of calculation of the net open position held by the Bank.

Concerning the method of calculation, a change is made in calculation of the net open position for balance sheet items from the gross aggregate position to the net aggregate position. In regard to timing, the net open position is prescribed not only for the mid-day position, but is also prescribed for the real time position applying the closing rate on the previous working day.

## ARTICLE BY ARTICLE

### Article I

#### Number 1

##### Article 1

Self-explanatory.

#### Number 2

##### Article 1A

Self-explanatory.

#### Number 3

##### Article 2

##### Paragraph (1)

Self-explanatory.

##### Paragraph (2)

Self-explanatory.

##### Paragraph (3)

For example:

The Bank holds:

- a. total assets in various foreign currencies equivalent in rupiahs to Rp 25,000,000.00 (twenty-five million rupiahs);
- b. total liabilities in various foreign currencies equivalent in rupiahs to Rp 15,000,000.00 (fifteen million rupiahs);
- c. Capital of Rp 100,000,000.00 (one hundred million rupiahs),

accordingly ...

accordingly, the Net Open Position for on balance sheet accounts is  $((Rp\ 25,000,000.00 - Rp\ 15,000,000.00)/Rp\ 100,000,000.00) \times 100\% = 10\%$

Paragraph (4)

The assets value used shall be book value, namely value after subtraction by allowance for earning assets losses formed in the same currency.

The definition of other claims includes but is not limited to equity participation in foreign currency, fixed assets of overseas branch offices (after depreciation), accrued interest, acceptance claims, reverse repo transactions, and derivative transactions.

Interoffice asset accounts for a branch office of a foreign bank are all interoffice asset accounts at overseas offices, including those calculated as components of capital (Operating Funds).

Paragraph (5)

The definition of other liabilities includes but is not limited to securities issued by the bank, accrued expense, acceptance liabilities, repo transactions, and derivative liabilities.

Interoffice liabilities accounts for a branch office of a foreign bank are all interoffice liabilities accounts at overseas offices, including those calculated as components of capital (Operating Funds).

Paragraph (6)

The value calculated for off balance sheet accounts is book value, namely value after deduction for allowance for earning asset losses formed in the same currency.

Number 4

Article 3

Paragraph (1)

“In real time” is defined as the time during which the Bank conducts operations until before the end of the working day.

Paragraph (2)

Self-explanatory.

Paragraph (3)

The overall Net Open Position at end of the previous working day is the Net Open Position for each foreign currency, before conversion to absolute values.

For example:

	<i>In rupiahs</i>		
	USD	Yen	Total
Overall Net Open Position at end of previous working day	50	(40)	
Treasury open position in real time during current working day	(10)	20	
Net Open Position in real time	40	(20)	20

Assuming that Capital = 100, the Net Open Position in real time =  $(20/100) \times 100\% = 20\%$ .

Paragraph (4) ...

Paragraph (4)

”Treasury activities” include but not limited to foreign currency sale and purchase transactions conducted in the dealing room.

Number 5

Self-explanatory.

Article 3A

Self-explanatory.

Number 6

Article 7

Self-explanatory.

Number 7

Article 7A

Paragraph (1)

Supporting information includes but is not limited to deal conversation, deal confirmation, blotter, and/or other supporting information.

Paragraph (2)

Self-explanatory.

Number 8

Article 8

Paragraph (1)

Self-explanatory.

Paragraph (3)

Self-explanatory.

Number 9

Article 10

Paragraph (1)

Letter a

Sanctions in the form of written warning include revocation of approval for exemption of structural positions as referred to in Article 6.

Letter b through letter e

Self-explanatory.

Paragraph (2)

Self-explanatory.

Article II

Self-explanatory.